

APPROVED BY COUNCIL ON MAY 22, 2012

**ECONOMIC DEVELOPMENT ADVISORY COUNCIL MEETING
APRIL 26, 2010
301 SOUTH PARK – ROOM 228 – WEBINAR
HELENA, MT**

PRESENT

Evan Barrett, Chair	Corlene Martin
Jim Atchison	Tony Preite
Kathie Bailey	Richard Sangrey
Senator Joe Balyeat	Wade Sikorski
Representative John Fleming	Jim Smitham
Senator Kim Gillan	Curt Starr
Sheila Hogan	Paul Tuss
Liz Marchi	Linda Twitchell

ABSENT

Representative Tom McGillvray	Joseph Reber
Joe Menicucci	

COMMERCE STAFF

Leona Gregg	Karyl Tobel
Quinn Ness	Fran Viereck
Andy Poole	Janice Wannebo

GUESTS

Janice Copeland, Headwaters RC&D Area, Inc., Butte
Jim Davison, Headwaters RC&D Area, Inc., Butte
Warren Harden, Headwaters RC&D Area, Inc., Butte
Terry Myhre, Montana Business Assistance Connection, Helena
Gloria O'Rourke, Montana Economic Development Association (MEDA), Anaconda
Jason Rittal, Eastern Plains RC&D Area, Inc., Sidney
Matt Stayner, Legislative Fiscal Division, Helena
Chris Town, Headwaters RC&D Area, Inc., Butte

Chairman Barrett began the webinar meeting at 2:05 p.m. He explained that since there is a limited agenda for this meeting it will be very efficient conducting the meeting as a webinar. Governor Schweitzer has suggested that, in the light of the budgetary issues of the State of Montana, people and state agencies use electronic conferencing as much as possible. A number of state departments have found it to be very productive and it saves money for everyone involved. As we move forward, this Council may find this the most expeditious way to conduct our meetings. Chairman Barrett asked for a roll call of the Council members and public members (see above attendance).

APPROVED BY COUNCIL ON MAY 22, 2012

Chairman Barrett announced the contracts and certifications currently in place for the Certified Regional Development Corporations (CRDCs) will expire at the end of 2010. Therefore, the Department of Commerce (hereafter referred to the Department) is going through the process of amending the Administrative Rules of Montana (ARM) that will then be incorporated in the Request for Proposals (RFP) for the CRDC Program. The reason for this meeting is there are two places in the Administrative Rules and Statute where the Economic Development Advisory Council (EDAC) provides advice in relationship to the CRDC Program. In preparation, the Department has drafted changes to the rules for consideration and eventual adoption prior to the RFP process.

Tony Preite, Director of the Department of Commerce, briefly explained that the CRDC program was initiated seven (7) years ago. Since that time, the Department has learned many issues that should be included in the Administrative Rules and general administration of CRDC funds; especially in a time when funds are very critical and state Departments have to justify every expenditure. The Department feels confident that working together with this Council and the CRDCs we will be able to establish well-founded, planning and economic community development organizations across the state. Director Preite hopes there will be a vote on these two issues by the end of this meeting.

Andy Poole, Deputy Director for the Department of Commerce, referenced the Economic Development Advisory Council – April 26, 2010 presentation, explaining that 2010 is the final year of the Certified Regional Development Corporations' contracts. The Department is preparing to issue RFPs in the summer of 2010 to certify or re-certify twelve (12) CRDCs. Before issuing the RFP, the Department needs to amend the rules that are currently in place (i.e., ARM 8.99.301 - 306). Mr. Poole referenced a map showing the CRDC regions pointing out that all but two (2) counties (Flathead & Richland) participate in the CRDC Program.

MCA 2-15-1820 states; "the Economic Development Advisory Council shall advise the Department concerning the distribution of funds to certified regional development corporations for business development purposes in accordance with MCA 90-1-116 and prescribe allowable administrative expenses for which economic development funds may be used by certified regional development corporations."

The statutorily appropriated funding that twelve CRDCs currently receive is \$425,000. The current flow of funds are split into three areas: 1) Base funding which is divided among CRDCs which equates to \$25,000 each; 2) \$60,000 divided among the CRDCs for formula funding based on the number of counties served, geography, population, and incorporated cities and towns; and 3) \$65,000 divided among the CRDCs based on a special application process for projects over and above their base and formula funding.

The Department proposes that the \$425,000 would be split among two areas: 1) base funding which would move from \$25,000 to \$30,000 per CRDC for a total of \$360,000; and 2) formula

APPROVED BY COUNCIL ON MAY 22, 2012

funding totaling \$60,000. There would be no special application funding category. Currently the Department receives annual work plans or reports. The Department is proposing quarterly work plans or reports summarizing what each CRDC did in the reporting quarter, their plans for the next quarter; with funds distributed on a quarterly basis. Mr. Poole referred to his presentation showing a side-by-side comparison of the current rules and the proposed rules pointing out a 15% formula distribution based on the number of incorporated cities or towns in the region. Under the proposed rule, it would be changed to a 15% formula distribution based on the number of communities served. The statute has always referred to “communities” and not “incorporated cities and towns.” Overall it does not make a huge difference relative to the CRDC total funding.

Mr. Poole reported that Kathie Bailey asked how the scenario would look if “communities” were used instead of “incorporated cities and towns.” The next page of Mr. Poole’s presentation shows a table breaking down each region’s number of cities and towns which totals 124. The current percentages and dollars outlined in the green columns and the proposed changes shown in the yellow columns shows the number of cities and towns and census designated places which totals 606. The last column shows the difference from the current rules compared to the new rules which overall is not a significance difference.

Senator Gillan pointed out that there are some differences in the regions. She is concerned and wants to know if there is any type of shifting that occurs to either urban or rural areas. Mr. Poole indicated, in the current formula, the Department tried to take into consideration all of the geographic and demographic characteristics of the region as much as possible. When taking into consideration just the geography, it does take into account the more rural parts of the state as opposed to urban parts. The proposed changes to the Administrative Rules do a reasonable job of allocating the \$65,000 among the counties in the state that are participating.

Senator Balyeat also had a similar question as Senator Gillan, which was answered, but he also wanted to know what Region 10 GNDC represents. Mr. Poole indicated GNDC stood for Great Northern Development Corporation located in the far northeastern corner of the state consisting of six counties (Garfield, McCone, Roosevelt, Valley, Daniels and Sheridan). To follow up, Senator Balyeat indicated it doesn’t have the biggest draw for funding and looking at the table it drops by about one-third but he assumes that is just a small part of their overall funding. Mr. Poole referred to the table near the end of his presentation showing how each part of the funding equates to dollars showing Great Northern Development Corporation’s overall funding. Senator Balyeat indicated, as a point of clarification, that even though it looks like there is new money being added, in truth, there is no new money and it is the same \$425,000 but just using a different formula to spread it out.

Chairman Barrett felt it was important to point out the green and yellow columns (in the table) account for only \$9,000 of the discretionary funds which is only a small part of the overall total. The modest changes in the difference reflect where some regions may go down in one distribution area but may go up in another distribution area. Mr. Poole referenced the chart

APPROVED BY COUNCIL ON MAY 22, 2012

showing Part A, Part B, Part C and the Total Funds Awarded, for the current distribution year, and that \$5,000 of Part C: Discretionary Funding was not awarded, as yet, to Northern Rocky Mountain RC&D and Sweetgrass Development. Under the proposed changes, for calendar year 2011 there will be \$65,000 of Part C: Discretionary Funding that will go to Part A for a total of \$365,000 which will be divided among all CRDCs (\$30,000 each).

Representative Fleming asked, in the proposed language change, if the quarterly reporting would be much different compared to the annual reporting and will there be more paperwork. Mr. Poole indicated that currently the CRDCs submit annual reports with the funds distributed at the beginning of each year. At the end of the year, the Department receives annual reports summarizing what the CRDCs did with the money along with receiving work plans for the next year. Due to some difficulties the Department has had with some of the CRDCs, plus a desire to know how things change within the CRDC organizations throughout the year, the Department wants to know, through quarterly reporting, what is going on in the CRDC regions in terms of the work done under the program. At the end of each quarter the CRDC will report what was done during that quarter and the then funds will be distributed on a quarterly basis compared to annually. Mr. Poole indicated there will be more paperwork but it also provides the Department with good feedback especially for the CRDCs that need assistance along the way. There have been occasions when the CRDC Executive Directors have left the organization and the position could be vacant for 4-5 months while CRDCs recruit. There are things that arise throughout the year that are not anticipated when working on an annual basis. The Department believes there will be better communication and more accountability with quarterly reporting. The Department is not looking for a large document quarterly but a work plan that shows what they have done in the last three (3) months. Chairman Barrett believes the quarterly report is more of a quarterly update on the CRDCs annual plan.

Senator Balyeat asked about the two counties (Flathead & Richland) that are not currently participating in the CRDC program wondering if it was due to their government choosing not to participate, because no plan was submitted or did they submit something that did not meet the final cut. Mr. Poole reported that in the beginning, the counties had to form a partnership to apply in order to be within the twelve CRDC regions. It is the Department's impression that there was discussion within the western counties concerning which organization was going to be the lead entity but as applications arrived from the western part of the state, Flathead County was not part of any application. It is the Department's understanding those counties wanted to be (and still want to be), part of a CRDC region; which will be determined during the next RFP process. In eastern Montana, Richland County has historically been independent therefore they chose not to participate. Chairman Barrett and Council member Marchi concurs with Mr. Poole statement as to how Flathead County was not part of a CRDC region.

Council member Marchi asked Mr. Poole who will oversee the review process of the quarterly reports. Mr. Poole responded that Department staff will review the process which is the same way it is done currently with the annual reports. Director Preite stated that relative to the quarterly reports, that if an organization can not complete their quarterly reports (financial and

APPROVED BY COUNCIL ON MAY 22, 2012

narrative) within a small timeframe, the Department would have concerns with that CRDC. The quarterly reports will not be complicated. However it will be a useful tool to the Department, the staff, the Executive Directors, and more importantly on the local level, the Board of Directors which provides guidance and has the responsibility to ensure the CRDC or Economic Development Districts (EDD) are run in a professional manner maximizing taxpayer funds.

Council member Tuss asked if the Department anticipates requesting four work plans or an annual work plan with quarterly reports on how the CRDCs are achieving their goals. Mr. Poole agreed with Tuss' characterization. The CRDCs work from their five-year strategic plan so annual work plans will give the Department an idea of what they anticipate doing and at the end of the quarter what they have done relative to their annual work plan. The Department does not want to receive four annual plans. Chairman Barrett requested modifications be made to the proposed language referencing annual work plans with quarterly updates. Director Preite and Council member Marchi concurred with Barrett's suggested modifications to the language.

Mr. Poole stated the second part, in which the Council provides advice on, is the allowable uses for the assistance grants under ARM 8.99.304 which states (1) As prescribed by the council, allowable administrative expenses for which assistance grants may be used by a CRDC include: (a) personnel and operating expenses; and (b) any other expenses deemed necessary by the council to maintain the organization's certification as a CRDC. Mr. Poole stated the Department is not proposing any changes to this section of the Administrative Rules. Chairman Barrett asked if any Council member has any thoughts concerning this section, which are very broad categories (personnel and operating expenses), noting the Department would not like to get into too much additional detail in this area. Council member Marchi acknowledged the Council is just trying to have documented accountability for how effective the money has been with a better measurement tool than what has been used in the past. Council member Tuss agrees that the changes, proposed by the Department, are not going to be overly onerous on any CRDC that has been doing the work they are getting the money to do and they are acceptable from a practitioner's perspective.

With no further comments from the Council, Chairman Barrett pointed out that the state has been distributing fixed amounts of money to programs that have not increased since its passage in 2000. The last legislature continued the statutory appropriation for another nine years (he wishes it would have been eleven years) at the same funding level. The inflationary adjustment, over time, and the net buying power of that amount of money is 33% less than it was in 2000. Funds were distributed to CRDCs seven years ago. These funds were distributed to certified communities before the regional CRDC approach was adopted by the 2003 Legislature. The state continues to work with a fixed amount and continues to have reduced buying power with that amount and unfortunately when a statutory appropriation is not in the state's base budget there is no present-law adjustment allowed. This is public money so we need to accomplish getting it out expeditiously but also ensure that it is spent wisely.

APPROVED BY COUNCIL ON MAY 22, 2012

With no further comment on these two issues Chairman Barrett called for a vote on advising the Department, which is what the Council is legally required to do. Perhaps the vote should be to advise the Department on proceeding with the draft rules that reflect the two changes discussed today (i.e. annual reports with quarterly updates and no changes to personnel and operating expenses). **Council member Marchi MOVES to accept both of the proposed changes. Council member Martin SECONDS the motion.**

Chairman Barrett opened it up for formal discussion. With no further discussion from the Council on the two items, Chairman Barrett asked for a roll-call vote of the Council. The following Council members voted "yea": Jim Atchison, Kathie Bailey, Senator Balyeat, Representative Fleming, Senator Gillan, Elizabeth Marchi, Corlene Martin, Tony Preite, Richard Sangrey, Wade Sikorski, Jim Smitham, Curt Starr, Paul Tuss and Chairman Barrett. Council member Twitchell abstained from voting due to inability to hear the majority of the discussion due to technical difficulties in the webinar. **The motion passed unanimously.**

Chairman Barrett then asked if any other public member participating in the webinar would like to provide comments concerning any of the items discussed at this point or any other item of pertinent interest to this Council. No public comment was provided.

Chairman Barrett asked the Council if they had any changes to the draft of the October 22, 2009 meeting minutes. **With no suggested changes from the Council members, Council member Senator Gillan MOVES to approve the minutes as submitted. Council member Tuss SECONDS the motion. The motion passed unanimously.**

Chairman Barrett asked the Department to re-state where the Department is at in the CRDC process. Mr. Poole re-iterated that currently the Department is in the process of reviewing the Administrative Rules that govern the CRDC program. Once they have been reviewed and the Commerce Director has approved the draft rules, they would be published for public comment, a public hearing will be scheduled and then the Director will adopt or modify the rules based on the comments provided. The Department hopes to finish that process by mid-summer and to issue the RFP for the CRDC program early this fall which should allow enough time for the interested parties to complete their applications for the RFP. The Department anticipates selection of the certified CRDCs prior to the end of calendar year 2010.

Chairman Barrett noted that while the democratic government is not always speedy and efficient, it is clearly transparent and thanks the Department for allowing plenty of time for this process.

Chairman Barrett asked that Council members provide feedback, suggestions, comments, or criticism (via email) to the Administrative Secretary (Janice Wannebo) concerning how the webinar methodology worked for the Council during this meeting.

APPROVED BY COUNCIL ON MAY 22, 2012

During the last meeting, Chairman Barrett previously requested this Council to think about programs that continue to operate with the same amount or less money than from previous cycles in terms of the statutory appropriations. The last Legislature reduced the Growth through Agriculture Program down to half of what it was before and reduced the Research and Commercialization Program down to one-third of what it was through the next cycle. Assuming funding goes back up in 2013; programs would still be at the same level as they were in the year 2000. He hopes this Council will continue to think about the allocation of money and whether any changes to that allocation, which requires Legislative action, would be advisable. From a revenue-neutral basis, if one program receives more funds another program would receive less. This issue will be discussed during a future EDAC meeting. The budget that will be submitted in 2011 will be operating with reduced money. Theoretically, it will go up in the 2013 session, even though there has been no adjustment since 2000 in the total amount. Therefore the question arises; should there be adjustments to programs within that amount.

Chairman Barrett indicated the Governor's Office of Economic Development will be visiting regions around the state in May and June and looks forward to seeing the Council members at those meetings. In addition, Matt Jones will also be conducting meetings relating to U.S.D.A Rural Development in preparation for Senator Baucus' Economic Summit this summer.

Chairman Barrett asked if there are any other items to be discussed. With none, he thanked the Council for their participation and adjourned the meeting at 2:58 p.m.



Respectfully submitted